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June 8, 2009

TO: Supervisor Don Knabe, Chairman  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe  
Auditor-Controller

SUBJECT: **LOS ANGELES COUNTY OFFICE OF EDUCATION CONTRACT  
REVIEW – A DEPARTMENT OF PUBLIC SOCIAL SERVICES  
GREATER AVENUES FOR INDEPENDENCE PROGRAM PROVIDER**

We completed a program and fiscal contract review of Los Angeles County Office of Education (LACOE or Agency), a Department of Public Social Services (DPSS) Greater Avenues for Independence (GAIN) Program provider.

**Background**

DPSS contracts with LACOE, a local government agency, to provide job readiness and career planning services countywide. The GAIN Program enables participants achieve self-sufficiency through employment and become free of welfare dependency. LACOE's program sites are located in all Supervisorial Districts.

LACOE is compensated on a cost reimbursement basis and has a contract for \$14,132,632 for Fiscal Year 2008-09.

**Purpose/Methodology**

The purpose of the review was to determine whether LACOE complied with its County contract terms and appropriately accounted for and spent GAIN funds in providing services outlined in their County contract. We also evaluated the adequacy of LACOE's

accounting records, internal controls and compliance with federal, State and County guidelines.

### **Results of Review**

LACOE billed DPSS for eligible participants and appropriately recorded and deposited cash receipts timely in the Agency's bank account. LACOE also maintained documentation to support program expenditures. However, the Agency needs to ensure that participant files contain all required program documentation including Career Goal Plans as required by the County contract.

The details of our review, along with a recommendation for corrective action, is attached.

### **Review of Report**

We discussed our report with LACOE and DPSS on April 13, 2009. In their attached response, the Agency agreed with our finding and recommendation. DPSS will follow up with the Agency to ensure the recommendation is implemented.

We thank LACOE for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC

Attachment

c: William T Fujioka, Chief Executive Officer  
Philip L. Browning, Director, Department of Public Social Services  
Donald Kenneth Shelton, Assistant Superintendent, Business Services, Los Angeles  
County Office of Education  
Public Information Office  
Audit Committee

**GREATER AVENUES FOR INDEPENDENCE PROGRAM  
LOS ANGELES COUNTY OFFICE OF EDUCATION  
FISCAL YEAR 2007-08 AND 2008-09**

**ELIGIBILITY**

**Objective**

Determine whether the Los Angeles County Office of Education (LACOE or Agency) provided services to individuals that met the eligibility requirements of the Greater Avenues for Independence (GAIN) Program.

**Verification**

We reviewed the case files for 40 program participants that received services during June 2008 for documentation to confirm their eligibility for GAIN services.

**Results**

All 40 program participants met the eligibility requirements for the GAIN Program.

**Recommendation**

None.

**PROGRAM SERVICES**

**Objective**

Determine whether LACOE provided the services in accordance with the County contract.

**Verification**

We reviewed the documentation contained in the case files for 40 participants that received services during June 2008.

**Results**

The case files for the 40 program participants contained adequate documentation to support the services billed to the Department of Public Social Services (DPSS). However, four (10%) case files did not contain the GAIN participants' Career Goal Plan, as required by the County contract.

**Recommendation**

1. LACOE management ensure that GAIN participants' files contain Career Goal Plans.

**CASH/REVENUE**

**Objective**

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

**Verification**

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's September 2008 bank reconciliation.

**Results**

LACOE appropriately recorded and deposited cash receipts timely to the Agency's bank account.

**Recommendation**

None.

**EXPENDITURES/PROCUREMENT**

**Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

**Verification**

We interviewed Agency personnel, reviewed financial records and reviewed documentation to support 30 non-personnel expenditure transactions billed to DPSS for July 2007 through December 2008 totaling \$203,660.

**Results**

LACOE's expenditures were allowable and properly documented.

**Recommendation**

None.

**FIXED ASSETS AND EQUIPMENT**

**Objective**

Determine whether LACOE's fixed assets and equipment purchased with DPSS funds are used for the GAIN Program and are adequately safeguarded.

We did not perform test work in this section as LACOE did not use DPSS funding to purchase fixed assets or equipment.

**Recommendation**

**None.**

**PAYROLL AND PERSONNEL**

**Objective**

Determine whether payroll expenditures are appropriately charged to the GAIN program. In addition, determine whether personnel files are maintained as required.

**Verification**

We reviewed payroll expenditures charged to DPSS for 24 employees totaling \$111,612 for September 2008 to LACOE's payroll records and time reports. We also reviewed personnel files of staff assigned to the GAIN program.

**Results**

LACOE appropriately charged payroll expenditures to the program. In addition, LACOE's personnel files were properly maintained.

**Recommendation**

**None.**

**COST ALLOCATION PLAN**

**Objective**

Determine whether LACOE's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

**Verification**

We reviewed LACOE's Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency for the indirect expenditures allocated to the GAIN program from August 2007 through September 2008 to ensure that the expenditures were properly allocated to the appropriate program.

**Results**

LACOE's Cost Allocation Plan was prepared in compliance with the County contract and costs were appropriately allocated.

**Recommendation**

None.

**CLOSE-OUT REVIEW****Objective**

Determine whether the Agency's Fiscal Year (FY) 2007-08 final close-out invoice reconciled to the Agency's financial accounting records.

**Verification**

We traced LACOE's FY 2007-08 general ledger to the Agency's final close-out invoice for the period ended June 2008.

**Results**

LACOE's final close-out invoice for FY 2007-08 reconciled to the Agency's financial records.

**Recommendation**

None.



**Los Angeles County Office of Education**

Leading Educators • Supporting Students • Serving Communities

Darlene R. Robles, Ph.D.  
Superintendent

April 13, 2009

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Ms. Wendy L. Watanabe, Auditor-Controller  
Hall of Administration  
500 W. Temple Street, Suite 525  
Los Angeles, CA 90012

Dear Wendy L. Watanabe:

Los Angeles County Office of Education - A Department of Public Social Service  
Greater Avenues for Independence Program Provider  
Response to Fiscal Year 08/09 Audit Findings

In response to the recommendation in your FY08/09 program and fiscal contract review of Los Angeles County Office of Education (LACOE), a Department of Public Social Service (DPSS) Greater Avenues for Independence (GAIN) Program Provider, we have taken steps to correct the finding and to prevent it from happening in the future. We continue to review and improve on our processes and procedures, in our bid to running a very efficient program devoid of findings in the future.

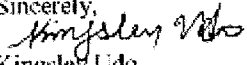
**Recommendation:**

LACOE management ensure that GAIN participants' file contain a Career Goal Plan

**Action Plan:**

LACOE/GAIN administration has since retrained all Site Supervisors on the need to use a "Participant File Checklist" (internal control form) to ensure that all required documents are filed in the participants' folders. The Site Supervisors are further required to now periodically (quarterly) monitor/review participant folders with staff to ensure contract compliance.

If you have any questions or concerns, please feel free to contact me at 562-803-8207 or e-mail me at [Udo\\_Kingsley@lacoe.edu](mailto:Udo_Kingsley@lacoe.edu).

Sincerely,  
  
Kingsley Udo  
Financial Operations Team Leader  
KU:clc